



November 10, 2008

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street NW
Washington, DC 20423-0001

224051

RE: Finance Docket 30186 (Sub No. 2), Tongue River
Railroad Co. -- Rail Construction and Operation --
Ashland to Decker, Montana

Dear Mr. Williams:

I am submitting, on behalf of the Tongue River Railroad Company, an original and ten copies of our four-month progress report for the latest four-month period, pursuant to the Surface Transportation Board's favorable decision served November 8, 1996 in FD 30186 (Sub-No. 2).

Please note that a copy of the four-month report has been served only on the Parties of Record identified in the Surface Transportation Board's complete service list served October 3, 2003 and amended in a notice served by the Surface Transportation Board on October 24, 2003. We will continue to serve the four-month report on these parties.

Sincerely,

Douglas A. Day
Representative for the
Tongue River Railroad Company

Enc.
cc: Parties of record

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TONGUE RIVER RAILROAD COMPANY, INC.

**Four-Month Report
to the
Surface Transportation Board**

November 10, 2008

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1. Surface Transportation Board - Regulatory Proceedings

The Surface Transportation Board ("Board") served its decision in STB Finance Docket No 30186 (Sub-No. 3) on October 9, 2007 granting the application of Tongue River Railroad Company, Inc ("TRRC") to construct and operate a 17.3-mile rail line known as the Western Alignment in Rosebud and Big Horn Counties, Montana. The decision became effective on November 8, 2007.

The Board denied petitions for stay filed by several area landowners and other persons and petitions for reconsideration filed with the Board by several of the same landowners and other persons. Certain other parties have sought judicial review of the Board's decision by filing petitions for review in the U.S. Court of Appeals for the Ninth Circuit. The Court has placed briefing of the *TRRC II* and *TRRC III* cases on hold pending resolution of certain issues pertaining to whether the Board is obligated to identify in a log certain documents that the Board has determined are not part of the administrative record. It is anticipated that the Court will establish a briefing schedule following resolution of the administrative record issue.

TRRC continues discussions with Montana State Government officials with respect to the regulatory process for acquiring certain state secondary approvals.

On May 8, 2008, the MFWP transmitted a preliminary draft of an Easement Agreement between MFWP and TRRC for review and comment. TRRC submitted comments to the draft Easement Agreement on June 19, 2008. MFWP and TRRC met to discuss and revise the draft agreement on July 23, 2008, and continued their negotiations on the Easement Agreement following that meeting. The parties have now reached an agreement on the terms of the Easement Agreement, which is pending final approval.

CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of November, 2008, a copy of the foregoing document was served via first class mail, postage prepaid, to the following Parties of Record

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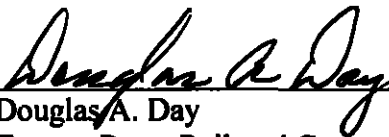
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